

**MWPAAC RWSP Policy Review Task Force
Discussion/Proposed Amendments
Financial Policies
WORKING DRAFT**

| Existing Financial Policies K.C.C 28.86.160 | Task Force Proposed Amendments as of Sept. 3, 2015; Approved by MWPAAC on Oct. 28, 2015 | Comments/Discussion | Subcommittee and Full MWPAAC Comments |
|--|--|-------------------------------------|--|
| A. Under the provisions of the King County Charter and RCW 35.58.200, these financial policies are hereby adopted and declared to be the principal financial policies of the comprehensive water pollution abatement plan for King County, adopted by the Municipality of Metropolitan Seattle (Metro) in Resolution No. 23, as amended, and the RWSP, a supplement to the plan. | A. Under the provisions of the King County Charter and RCW 35.58.200, these financial policies are hereby adopted and declared to be the principal financial policies of the comprehensive water pollution abatement plan for King County, adopted by the Municipality of Metropolitan Seattle (Metro) in Resolution No. 23, as amended, and the RWSP, a supplement to the plan. | No changes discussed by Task Force. | |
| <p>B. Explanatory material.</p> <p>1. Financial forecast and budget. Policies FP-1 through FP-10 are intended to guide the county in the areas of prudent financial forecasting and budget planning and are included to ensure the financial security and bonding capacity for the wastewater system. This set of policies also addresses the county's legal and contractual commitments regarding the use of sewer revenues to pay for sewer expenses.</p> <p>2. Debt financing and borrowing. Policies FP-11 through FP-14 are intended to guide the county in financing the wastewater system capital program. These policies direct that capital costs be spread over time to keep rates more stable for ratepayers by the county issuing bonds. A smaller share of annual capital costs will be funded directly from sewer rates and sewer revenues and capacity charges.</p> <p>3. Collecting revenue. Policies FP-15 through FP-17 are intended to guide King County in establishing annual sewer rates and approving wastewater system capital improvement and operating budgets. Monthly sewer rates, which are the primary source of revenue for the county's regional wastewater system, are to be uniformly assessed on all customers. Customers with new connections to the wastewater system will pay an additional capacity charge. The amount of that charge is set by the council, within the constraints of state law.</p> <p>4. Community treatment systems. Policy FP-18 is intended to guide the county in the financial management of community treatment systems.</p> | <p>B. Explanatory material.</p> <p>1. Financial forecast and budget. Policies FP-1 through FP-10 are intended to guide the county in the areas of prudent financial forecasting and budget planning and are included to ensure the financial security and bonding capacity for the wastewater system. This set of policies also addresses the county's legal and contractual commitments regarding the use of sewer revenues to pay for sewer expenses.</p> <p>2. Debt financing and borrowing. Policies FP-11 through FP-14 are intended to guide the county in financing the wastewater system capital program. These policies direct that capital costs be spread over time to keep rates more stable for ratepayers by the county issuing bonds. A smaller share of annual capital costs will be funded directly from sewer rates and sewer revenues and capacity charges.</p> <p>3. Collecting revenue. Policies FP-15 through FP-17 are intended to guide King County in establishing annual sewer rates and approving wastewater system capital improvement and operating budgets. Monthly sewer rates, which are the primary source of revenue for the county's regional wastewater system, are to be uniformly assessed on all customers. Customers with new connections to the wastewater system will pay an additional capacity charge. The amount of that charge is set by the council, within the constraints of state law.</p> <p>4. Community treatment systems. Policy FP-18 is intended to guide the county in the financial management of community treatment systems.</p> | No changes discussed by Task Force. | |
| <p>C. Policies.</p> <p>1. Financial forecast and budget.</p> | <p>C. Policies.</p> <p>1. Financial forecast and budget.</p> | No changes discussed by Task Force. | |
| FP-1: The county shall maintain for the wastewater system a multiyear financial forecast and cash-flow projection of six years or more, estimating service growth, operating expenses, capital needs, reserves and debt service. The financial forecast shall be submitted by the executive with the annual sewer rate ordinance. | FP-1: The county shall maintain for the wastewater system a multiyear financial forecast and cash-flow projection of six years or more, estimating service growth, operating expenses, capital needs, reserves and debt service. The financial forecast shall be submitted by the executive with the annual sewer rate ordinance. | No changes discussed by Task Force. | |

| Existing Financial Policies K.C.C 28.86.160 | Task Force Proposed Amendments as of Sept. 3, 2015; Approved by MWPAAC on Oct. 28, 2015 | Comments/Discussion | Subcommittee and Full MWPAAC Comments |
|---|---|---|---|
| FP-2: If the operations component of the proposed annual wastewater system budget increases by more than the reasonable cost of the addition of new facilities, increased flows, new programs authorized by the council, and inflation, or if revenues decline below the financial forecast estimate, a feasible alternative spending plan shall be presented, at the next quarterly budget report, to the council by the executive identifying steps to reduce cost increases. | FP-2: If the operations component of the proposed annual wastewater system budget increases by more than the reasonable cost of ((the addition of new)) <u>unanticipated</u> facilities, increased flows, new programs authorized by the council, and inflation, or if revenues decline below the financial forecast estimate, a feasible alternative spending plan shall be presented, at the next quarterly budget report, to the council by the executive identifying steps to reduce cost increases <u>or propose a rate adjustment if within the parameters allowed by the sewage disposal agreement.</u> | <p><i>June 19, 2015 discussion:</i> Task Force members felt the word “unanticipated” was more reflective of the intent of the policy in place of “the addition of new”</p> <p><i>May 29, 2015 discussion:</i> The Task Force asked if this is a mid-year correction per the contract? They also wondered if there should be a definition of “declined by how much” if there were declining revenues.</p> <p>Should there be a definition of declined by how much, if there were declining revenues.</p> | <p><i>Joint Engineering and Planning and Rates and Finance subcommittees meeting on September 3, 2015:</i></p> <ul style="list-style-type: none"> There was a recommendation to delete the following added information in red: <u>“or propose a rate adjustment if within the parameters allowed by the sewage disposal agreement.”</u> |
| FP-3: The executive shall maintain an ongoing program of reviewing business practices and potential cost-effective technologies and strategies for savings and efficiencies; the results shall be reported in the annual budget submittal and in an annual report to the RWQC. | FP-3: The executive shall maintain an ongoing program of reviewing business practices and potential cost-effective technologies and strategies for savings and efficiencies; the results shall be reported in ((the annual)) <u>each</u> budget submittal and in an <u>annual report</u> to the RWQC. | <p><i>June 19, 2015 discussion:</i> Task Force members suggested replacing “the annual budget submittal” with “each budget submittal”.</p> <p><i>May 29, 2015 discussion:</i> Members noted that the highlighted portion is out of date – they wondered if it should state bi-annual budget or rate proposal</p> | <p><i>Joint Engineering and Planning and Rates and Finance subcommittees meeting on September 3, 2015:</i></p> <ul style="list-style-type: none"> The highlighted portion may need to be deleted if the proposed amendments to the Reporting Policies are approved, including elimination of the annual reports. The Task Force noted that the annual reports provide information that is stale by the time the report is completed and there isn’t a need for these any longer. |
| FP-4: New technologies or changes in practice that differ significantly from existing technologies or practices shall be reported to the council and RWQC with projected costs prior to implementation and shall also be summarized in the RWSP annual report. | FP-4: <u>The proposed use of new</u> ((New)) technologies or changes in practice that differ significantly from existing technologies or practices shall be reported to the council and RWQC with projected costs <u>and benefits</u> prior to implementation and shall also be summarized in the RWSP annual report. | <p><i>June 19, 2015 discussion:</i> Task Force members suggested adding “and benefits” to the policy.</p> <p><i>May 29, 2015 discussion:</i> Task Force members suggested the change in the first sentence.</p> | <p><i>Joint Engineering and Planning and Rates and Finance subcommittees meeting on September 3, 2015:</i></p> <ul style="list-style-type: none"> The highlighted portion may need to be deleted if the proposed amendments to the Reporting Policies are approved, including elimination of the annual reports. The Task Force noted that the annual reports provide information that is stale by the time the report is completed and there isn’t a need for these any longer. |
| FP-5: Significant new capital and operational initiatives proposed by the Executive that are not within the scope of the current RWSP nor included in the RWSP, or are required by new state or federal regulations will be reviewed by the RWQC and approved by the council to ensure due diligence review of potential impacts to major capital projects' schedules, including Brightwater, the bond rating or the sewer rate and capacity charge. | FP-5: Significant new capital and operational initiatives proposed by the Executive that are not within the scope of the current RWSP nor included in the RWSP, or are required by new state or federal regulations will be reviewed by the RWQC and approved by the council to ensure due diligence review of potential impacts to major capital projects' schedules, ((including Brightwater,)) the bond rating, or the sewer rate and capacity charge. | <p><i>May 29, 2015 discussion:</i> Task Force members suggested deleting the reference to Brightwater.</p> | |
| FP-6: The county shall maintain for the wastewater system a | FP-6: The county shall maintain for the wastewater system a | No changes discussed by the Task Force. | |

| Existing Financial Policies K.C.C 28.86.160 | Task Force Proposed Amendments as of Sept. 3, 2015; Approved by MWPAAC on Oct. 28, 2015 | Comments/Discussion | Subcommittee and Full MWPAAC Comments |
|---|--|--|--|
| prudent minimum cash balance for reserves, including, but not limited to, cash flow and potential future liabilities. The cash balance shall be approved by the council in the annual sewer rate ordinance. | prudent minimum cash balance for reserves, including, but not limited to, cash flow and potential future liabilities. The cash balance shall be approved by the council in the annual sewer rate ordinance. | | |
| FP-7: Unless otherwise directed by the council by motion, the King County department of natural resources and parks or its successor agency shall charge a fee that recovers all direct and indirect costs for any services related to the wastewater system provided to other public or private organizations. | FP-7: Unless otherwise directed by the council by motion, the King County department of natural resources and parks or its successor agency shall charge a fee that recovers all direct and indirect costs for any services related to the wastewater system provided to other public or private organizations. | <i>May 29, 2015 discussion:</i> Task Force members wondered why the first portion of the sentence is needed. | |
| FP-8: Water quality improvement activities, programs and projects, in addition to those that are functions of sewage treatment, may be eligible for funding assistance from sewer rate revenues after consideration of criteria and limitations suggested by the metropolitan water pollution abatement advisory committee, and, if deemed eligible, shall be limited to one and one half percent of the annual wastewater system operating budget. An annual report on activities, programs and projects funded will be made to the RWQC. Alternative methods of providing a similar level of funding assistance for water quality improvement activities shall be transmitted to the RWQC and the council within seven months of policy adoption. | <p>FP-8: Water quality improvement activities <u>as defined below</u>, programs and projects, in addition to those that are functions of sewage treatment, may be eligible for funding assistance from sewer rate revenues after consideration of criteria and limitations suggested by the metropolitan water pollution abatement advisory committee. ((, and, if)) <u>If deemed eligible, expenditures shall be limited to one and one half percent of the annual wastewater system operating budget.</u></p> <p><u>Funding assistance will be used to improve water quality in the Wastewater Treatment Division service area in a way that supports, enhances, or complements the current efforts of our regional wastewater system. These water quality improvement activities, programs, and projects funded by the wastewater operating budget shall:</u></p> <ul style="list-style-type: none"> <u>Create a benefit to or improvement of water quality within the wastewater treatment division service area and benefit its ratepayers; and</u> <u>Demonstrate that water quality benefits are related to the wastewater treatment division's regional water quality responsibilities.</u> <p><u>Additional weight may be given based on priorities established by the county in consultation with MWPAAC to further rank projects or programs including topics such as service enhancement, water quality benefit and strength of implementation.</u></p> <p>An annual report on activities, programs and projects funded will be made to the RWQC. ((Alternative methods of providing a similar level of funding assistance for water quality improvement activities shall be transmitted to the RWQC and the council within seven months of policy adoption.))</p> | <p><i>July 10, 2015 discussion:</i> The Task Force offered some grammatical improvements to the revised policy.</p> <p><i>June 19, 2015 discussion:</i> The updated language reflects the current Water Works grant program information.</p> <p><i>May 29, 2015 discussion :</i> There was a question on whether or not this should be updated to reflect the Water Works information. WTD staff will check on this.</p> | <i>Oct. 28, 2015 MWPAAC:</i> <i>MWPAAC added the language "as defined below" in the first sentence, and added language to the next to last paragraph regarding additional weight...</i> |
| FP-9: The calculation of general government overhead to be charged to the wastewater system shall be based on a methodology that provides for the equitable distribution of | FP-9: The calculation of general government overhead to be charged to the wastewater system shall be based on a methodology that provides for the equitable distribution of | No changes were discussed by the Task Force | |

| Existing Financial Policies K.C.C 28.86.160 | Task Force Proposed Amendments as of Sept. 3, 2015; Approved by MWPAAC on Oct. 28, 2015 | Comments/Discussion | Subcommittee and Full MWPAAC Comments |
|---|--|--|---------------------------------------|
| overhead costs throughout county government. Estimated overhead charges shall be calculated in a fair and consistent manner, utilizing a methodology that best matches the estimated cost of the services provided to the actual overhead charge. The overall allocation formula and any subsequent modifications will be reported to the RWQC. | overhead costs throughout county government. Estimated overhead charges shall be calculated in a fair and consistent manner, utilizing a methodology that best matches the estimated cost of the services provided to the actual overhead charge. The overall allocation formula and any subsequent modifications will be reported to the RWQC. | | |
| FP-10: The assets of the wastewater system are pledged to be used for the exclusive benefit of the wastewater system including operating expenses, debt service payments, asset assignment and the capital program associated therewith. The system shall be fully reimbursed for the value associated with any use or transfer of such assets for other county government purposes. The executive shall provide reports to the RWQC pertaining to any significant transfers of assets for other county government purposes in advance of and subsequent to any such transfers. | FP-10: The assets of the wastewater system are pledged to be used for the exclusive benefit of the wastewater system including operating expenses, debt service payments, asset assignment and the capital program associated therewith. The system shall be fully reimbursed for the value associated with any use or transfer of such assets for other county government purposes. The executive shall provide reports to the RWQC pertaining to any significant transfers of assets for other county government purposes in advance of and subsequent to any such transfers. | No changes were discussed by the Task Force. | |
| <i>2. Debt financing and borrowing.</i> | <i>2. Debt financing and borrowing.</i> | No changes were discussed by the Task Force. | |
| FP-11: The county shall structure bond covenants to ensure a prudent budget standard. | FP-11: The county shall structure bond covenants to ensure a prudent budget standard. | No changes were discussed by the Task Force. | |
| FP-12: King County should structure the term of its borrowings to match the expected useful life of the assets to be funded. | FP-12: ((King County should structure the term of its borrowings to match the expected useful life of the assets to be funded.)) <u>The useful life of assets to be funded shall be considered when King County structures the terms of its borrowing.</u> | <i>May 29, 2015 discussion:</i> The updated language was suggested by the Task Force. | |
| FP-13: The wastewater system’s capital program shall be financed predominantly by annual staged issues of long-term general obligation or sewer revenue bonds, provided that: All available sources of grants are utilized to offset targeted program costs; Funds available after operations and reserves are provided for shall be used for the capital program; excess funds accumulated in reserves may also be used for capital; Consideration is given to competing demands for use of the county’s overall general obligation debt capacity; and Consideration is given to the overall level of debt financing that can be sustained over the long term given the size of the future capital programs, potential impacts on credit ratings, and other relevant factors such as intergenerational rate equity and the types of projects appropriately financed with long-term debt. | FP-13: The wastewater system’s capital program shall be financed predominantly by annual staged issues of long-term general obligation or sewer revenue bonds, provided that: All available sources of grants are utilized to offset targeted program costs; Funds available after operations, ((and)) reserves, ((are provided for)) <u>and allocations for long-term rate management strategies</u> shall be used for the capital program; ((excess funds)) <u>Funds</u> accumulated in reserves may also be used for capital; Consideration is given to competing demands for use of the county’s overall general obligation debt capacity; and Consideration is given to the overall level of debt financing that can be sustained over the long term given the size of the future capital programs, potential impacts on credit ratings, and other relevant factors such as intergenerational rate equity and the types of projects appropriately financed | <i>July 10, 2015 discussion:</i> Task Force members added the phrase “and allocations for long-term rate management strategies” There was also discussion that the concept of “excess funds” didn’t make sense; and it would be better to start a new sentence with the word “Funds” <i>June 19, 2015 discussion:</i> The Task Force suggested the additional language, and noted that the Debt Review Committee and Contracts Negotiating Committee may decide to reshape the policy. <i>May 29, 2015 discussion:</i> The Task Force noted that Debt Review Committee work can inform this policy. | |

| Existing Financial Policies K.C.C 28.86.160 | Task Force Proposed Amendments as of Sept. 3, 2015; Approved by MWPAAC on Oct. 28, 2015 | Comments/Discussion | Subcommittee and Full MWPAAC Comments |
|---|---|--|---------------------------------------|
| | with long-term debt. | | |
| <p>FP-14: To achieve a better maturity matching of assets and liabilities, thereby reducing interest rate risk, short-term borrowing shall be used to fund a portion of the capital program, provided that:</p> <p>Outstanding short-term, variable rate debt comprises no more than twenty percent of total outstanding revenue bonds and general obligation bonds; and</p> <p>Appropriate liquidity is available to protect the day-to-day operations of the system.</p> | <p>FP-14: To achieve a better maturity matching of assets and liabilities, thereby reducing interest rate risk, short-term borrowing shall be used to fund a portion of the capital program, provided that:</p> <p>Outstanding short-term, variable rate debt comprises no more than twenty percent of total outstanding revenue bonds and general obligation bonds; and</p> <p>Appropriate liquidity is available to protect the day-to-day operations of the system.</p> | No changes were discussed by the Task Force. | |
| 3. Rates - sewer rates and capacity charge. | 3. Rates - sewer rates and capacity charge. | No changes discussed. | |
| <p>FP-15: King County shall charge its customers sewer rates and capacity charges sufficient to cover the costs of constructing and operating its wastewater system. Revenues shall be sufficient to maintain capital assets in sound working condition, providing for maintenance and rehabilitation of facilities so that total system costs are minimized while continuing to provide reliable, high quality service and maintaining high water quality standards.</p> <p>1. Existing and new sewer customers shall each contribute to the cost of the wastewater system as follows:</p> <p>a. Existing customers shall pay through the monthly sewer rate for the portion of the existing and expanded conveyance and treatment system that serves existing customers.</p> <p>b. New customers shall pay costs associated with the portion of the existing wastewater conveyance and treatment system that serves new customers and costs associated with expanding the system to serve new customers. New customers shall pay these costs through a combination of the monthly sewer rate and the capacity charge. Such rates and charges shall be designed to have growth pay for growth.</p> <p>2. Sewer rate. King County shall maintain a uniform monthly sewer rate expressed as charges per residential customer equivalent for all customers.</p> <p>a. Sewer rates shall be designed to generate revenue sufficient to cover, at a minimum, all costs of system operation and maintenance and all capital costs incurred to serve existing customers.</p> <p>b. King County should attempt to adopt a multiyear sewer rate to provide stable costs to sewer customers. If a multiyear rate is established and when permitted upon the retirement by the county of certain outstanding sewer revenue bonds, a rate stabilization reserve account shall be created to ensure that adequate funds are available to sustain the rate through completion of the rate cycle. An annual report on the use of funds from this rate stabilization account shall be provided annually to the RWQC.</p> <p>c. The executive, in consultation with the RWQC, shall propose for council adoption policies to ensure that adequate debt service coverage and emergency reserves are established and periodically reviewed.</p> | <p>FP-15: King County shall charge its customers sewer rates and capacity charges sufficient to cover the costs of constructing and operating its wastewater system. Revenues shall be sufficient to maintain capital assets in sound working condition, providing for maintenance and rehabilitation of facilities so that total system costs are minimized while continuing to provide reliable, high quality service and maintaining high water quality standards.</p> <p>1. Existing and new sewer customers shall each contribute to the cost of the wastewater system as follows:</p> <p>a. Existing customers shall pay through the monthly sewer rate for the portion of the existing and expanded conveyance and treatment system that serves existing customers.</p> <p>b. New customers shall pay costs associated with the portion of the existing wastewater conveyance and treatment system that serves new customers and costs associated with expanding the system to serve new customers. New customers shall pay these costs through a combination of the monthly sewer rate and the capacity charge. Such rates and charges shall be designed to have growth pay for growth.</p> <p>2. Sewer rate. King County shall maintain a uniform monthly sewer rate expressed as charges per residential customer equivalent for all customers.</p> <p>a. Sewer rates shall be designed to generate revenue sufficient to cover, at a minimum, all costs of system operation and maintenance and all capital costs incurred to serve existing customers.</p> <p>b. King County should attempt to adopt a multiyear sewer rate to provide stable costs to sewer customers. If a multiyear rate is established and when permitted upon the retirement by the county of certain outstanding sewer revenue bonds, a rate stabilization reserve account shall be created to ensure that adequate funds are available to sustain the rate through completion of the rate cycle. An annual report on the use of funds from this rate stabilization account shall be provided annually to the RWQC.</p> <p>c. The executive, in consultation with the RWQC, shall propose for council adoption policies to ensure that adequate debt service coverage and emergency reserves are established and periodically reviewed.</p> | <p><i>June 19, 2015:</i></p> <p>The Task Force noted that the contracts committee is reviewing this policy, and the comments offered in the May meeting are for additional consideration.</p> <p><i>May 29, 2015 discussion:</i></p> <p>There was discussion on whether or not the following statement should be deleted from this policy, as it has been done:</p> <p>I. Upon implementation of these explicit policies, the Seattle combined sewer overflow benefit charge shall be discontinued.</p> <p>There was a question on whether or not this statement should remain in this policy, as this is part of the contracts, and could only be changed if the contract is changed:</p> <p>4. Based on an analysis of residential water consumption, as of December 13, 1999, King County uses a factor of seven hundred fifty cubic feet per month to convert water consumption of volume-based customers to residential customer equivalents for billing purposes. King County shall periodically review the appropriateness of this factor to ensure that all accounts pay their fair share of the cost of the wastewater system</p> | |

| Existing Financial Policies K.C.C 28.86.160 | Task Force Proposed Amendments as of Sept. 3, 2015; Approved by MWPAAC on Oct. 28. 2015 | Comments/Discussion | Subcommittee and Full MWPAAC Comments |
|--|--|---------------------|---------------------------------------|
| <p>3. Capacity charge. The amount of the capacity charge shall be a uniform charge, shall be approved annually and shall not exceed the cost of capital facilities necessary to serve new customers. The methodology that shall be applied to set the capacity charge is set forth in FP-15.3.a.</p> <p>a. The capacity charge shall be based on allocating the total cost of the wastewater system (net of grants and other non rate revenues) to existing and new customers as prescribed in this subsection. The total system cost includes the costs to operate, maintain, and expand the wastewater system over the life of the RWSP. Total estimated revenues from the uniform monthly rate from all customers and capacity charge payments from new customers, together with estimated non rate revenues, shall equal the estimated total system costs. The capacity charge calculation is represented as follows:</p> <p>Cap charge =[Total system costs — rate revenue from existing customers] — Rate revenue from new customers</p> <hr/> <p>Number of new customers</p> <p>where:</p> <p>(1) total system costs (net of grants and other non rate revenues) minus rate revenue from existing customers equals costs allocated to new customers.</p> <p>(2) costs allocated to new customers minus rate revenue from new customers equals the total revenue to be recovered through the capacity charge.</p> <p>(3) total capacity charge revenue requirements divided by the total number of new customers equals the amount of the capacity charge to be paid by each new customer.</p> <p>b. The capacity charge may be paid by new customers in a single payment or as a monthly charge at the rate established by the council. The county shall establish a monthly capacity charge by dividing that amount by one hundred eighty (twelve monthly payments per year for fifteen years). The executive shall transmit for council adoption an ordinance to adjust the discount rate for lump sum payment. The executive shall also transmit for council adoption an ordinance to adjust the monthly capacity charge to reflect the county's average cost of money if the capacity charge is paid over time.</p> <p>c. King County shall pursue changes in state law to enable the county to require payment of the capacity charge in a single payment.</p> <p>d. The capacity charge shall be set such that each new customer shall pay an equal share of the costs of facilities allocated to new customers, regardless of what year the customer connects to the system. The capacity charge shall be based upon the costs, customer growth and related financial assumptions used for the Regional Wastewater Services Plan adopted by Ordinance 13680 as such assumptions may be updated. Customer growth and projected costs, including</p> | <p>3. Capacity charge. The amount of the capacity charge shall be a uniform charge, shall be approved annually and shall not exceed the cost of capital facilities necessary to serve new customers. The methodology that shall be applied to set the capacity charge is set forth in FP-15.3.a.</p> <p>a. The capacity charge shall be based on allocating the total cost of the wastewater system (net of grants and other non rate revenues) to existing and new customers as prescribed in this subsection. The total system cost includes the costs to operate, maintain, and expand the wastewater system over the life of the RWSP. Total estimated revenues from the uniform monthly rate from all customers and capacity charge payments from new customers, together with estimated non rate revenues, shall equal the estimated total system costs. The capacity charge calculation is represented as follows:</p> <p>Cap charge =[Total system costs — rate revenue from existing customers] — Rate revenue from new customers</p> <hr/> <p>Number of new customers</p> <p>where:</p> <p>(1) total system costs (net of grants and other non rate revenues) minus rate revenue from existing customers equals costs allocated to new customers.</p> <p>(2) costs allocated to new customers minus rate revenue from new customers equals the total revenue to be recovered through the capacity charge.</p> <p>(3) total capacity charge revenue requirements divided by the total number of new customers equals the amount of the capacity charge to be paid by each new customer.</p> <p>b. The capacity charge may be paid by new customers in a single payment or as a monthly charge at the rate established by the council. The county shall establish a monthly capacity charge by dividing that amount by one hundred eighty (twelve monthly payments per year for fifteen years). The executive shall transmit for council adoption an ordinance to adjust the discount rate for lump sum payment. The executive shall also transmit for council adoption an ordinance to adjust the monthly capacity charge to reflect the county's average cost of money if the capacity charge is paid over time.</p> <p>c. King County shall pursue changes in state law to enable the county to require payment of the capacity charge in a single payment.</p> <p>d. The capacity charge shall be set such that each new customer shall pay an equal share of the costs of facilities allocated to new customers, regardless of what year the customer connects to the system. The capacity charge shall be based upon the costs, customer growth and related financial assumptions used for the Regional Wastewater Services Plan adopted by Ordinance 13680 as such assumptions may be updated. Customer growth and projected costs, including</p> | | |

| Existing Financial Policies K.C.C 28.86.160 | Task Force Proposed Amendments as of Sept. 3, 2015; Approved by MWPAAC on Oct. 28. 2015 | Comments/Discussion | Subcommittee and Full MWPAAC Comments |
|---|---|--|---------------------------------------|
| <p>inflation, shall be updated every three years beginning in 2003.</p> <p>e. The county should periodically review the capacity charge to ensure that the actual costs of system expansion to serve new customers are reflected in the charge. All reasonable steps should be taken to coordinate the imposition, collection of and accounting for rates and charges with component agencies to reduce redundant program overhead costs.</p> <p>f. Existing customers shall pay the monthly capacity charge established at the time they connected to the system as currently enacted by K.C.C. 28.84.055. New customers shall pay the capacity charge established at the time they connect to the system.</p> <p>g. To ensure that the capacity charge will not exceed the costs of facilities needed to serve new customers, costs assigned and allocated to new customers shall be at a minimum ninety five percent of the projected capital costs of new and existing treatment, conveyance and biosolids capacity needed to serve new customers.</p> <p>h. Costs assigned and allocated to existing customers shall include the capital cost of existing and future treatment, conveyance and biosolids capacity used by existing customers, and the capital costs of assessing and reducing infiltration and inflow related to the use of the existing conveyance and treatment capacity.</p> <p>i. Capital costs of combined sewer overflow control shall be paid by existing and new customers based on their average proportionate share of total customers over the life of the RWSP.</p> <p>j. Operations and maintenance costs shall be paid by existing and new customers in the uniform monthly rate based on their annual proportionate share of total customers.</p> <p>k. Any costs not allocated in FP-15.3. f., g., h., i. and j. shall be paid by existing and new customers in the sewer rate.</p> <p>l. Upon implementation of these explicit policies, the Seattle combined sewer overflow benefit charge shall be discontinued.</p> <p>4. Based on an analysis of residential water consumption, as of December 13, 1999, King County uses a factor of seven hundred fifty cubic feet per month to convert water consumption of volume-based customers to residential customer equivalents for billing purposes. King County shall periodically review the appropriateness of this factor to ensure that all accounts pay their fair share of the cost of the wastewater system.</p> | <p>inflation, shall be updated every three years beginning in 2003.</p> <p>e. The county should periodically review the capacity charge to ensure that the actual costs of system expansion to serve new customers are reflected in the charge. All reasonable steps should be taken to coordinate the imposition, collection of and accounting for rates and charges with component agencies to reduce redundant program overhead costs.</p> <p>f. Existing customers shall pay the monthly capacity charge established at the time they connected to the system as currently enacted by K.C.C. 28.84.055. New customers shall pay the capacity charge established at the time they connect to the system.</p> <p>g. To ensure that the capacity charge will not exceed the costs of facilities needed to serve new customers, costs assigned and allocated to new customers shall be at a minimum ninety five percent of the projected capital costs of new and existing treatment, conveyance and biosolids capacity needed to serve new customers.</p> <p>h. Costs assigned and allocated to existing customers shall include the capital cost of existing and future treatment, conveyance and biosolids capacity used by existing customers, and the capital costs of assessing and reducing infiltration and inflow related to the use of the existing conveyance and treatment capacity.</p> <p>i. Capital costs of combined sewer overflow control shall be paid by existing and new customers based on their average proportionate share of total customers over the life of the RWSP.</p> <p>j. Operations and maintenance costs shall be paid by existing and new customers in the uniform monthly rate based on their annual proportionate share of total customers.</p> <p>k. Any costs not allocated in FP-15.3. f., g., h., i. and j. shall be paid by existing and new customers in the sewer rate.</p> <p>l. Upon implementation of these explicit policies, the Seattle combined sewer overflow benefit charge shall be discontinued.</p> <p>4. Based on an analysis of residential water consumption, as of December 13, 1999, King County uses a factor of seven hundred fifty cubic feet per month to convert water consumption of volume-based customers to residential customer equivalents for billing purposes. King County shall periodically review the appropriateness of this factor to ensure that all accounts pay their fair share of the cost of the wastewater system.</p> | | |
| <p>FP-16: The executive shall prepare and submit to the council a report in support of the proposed monthly sewer rates for the next year, including the following information:</p> <p>Key assumptions: key financial assumptions such as inflation, bond interest rates, investment income, size and timing of bond issues, and the considerations underlying the projection of future growth in residential customer equivalents;</p> <p>Significant financial projections: all key projections, including the annual projection of operating and capital costs,</p> | <p>FP-16: The executive shall prepare and submit to the council a report in support of the proposed monthly sewer rates for the next year, including the following information:</p> <p>Key assumptions: key financial assumptions such as inflation, bond interest rates, investment income, size and timing of bond issues, and the considerations underlying the projection of future growth in residential customer equivalents;</p> <p>Significant financial projections: all key projections, including the annual projection of operating and capital costs,</p> | <p><i>May 29, 2015 discussion:</i></p> <p>Task Force members asked if this is historical performance of the rate a good measure of future work.</p> <p>WTD staff noted that this is more about setting what you're bonding for and that we have an 85 percent accomplishment rate.</p> | |

| Existing Financial Policies K.C.C 28.86.160 | Task Force Proposed Amendments as of Sept. 3, 2015; Approved by MWPAAC on Oct. 28, 2015 | Comments/Discussion | Subcommittee and Full MWPAAC Comments |
|---|---|--|---|
| debt service coverage, cash balances, revenue requirements, revenue projections and a discussion of significant factors that impact the degree of uncertainty associated with the projections; Historical data: a discussion of the accuracy of the projections of costs and revenues from previous recent budgets, and Policy options: calculations or analyses, or both, of the effect of certain policy options on the overall revenue requirement. These options should include alternative capital program accomplishment percentages (including a ninety percent, a ninety-five percent and a one hundred percent accomplishment rate), and the rate shall be selected that most accurately matches historical performance in accomplishing the capital program and that shall not negatively impair the bond rating. | debt service coverage, cash balances, revenue requirements, revenue projections and a discussion of significant factors that impact the degree of uncertainty associated with the projections; Historical data: a discussion of the accuracy of the projections of costs and revenues from previous recent budgets, and Policy options: calculations or analyses, or both, of the effect of certain policy options on the overall revenue requirement. These options should include alternative capital program accomplishment percentages (including a ninety percent, a ninety-five percent and a one hundred percent accomplishment rate), and the rate shall be selected that most accurately matches historical performance in accomplishing the capital program and that shall not negatively impair the bond rating. | No specific changes were discussed by the Task Force. | |
| FP-17: Expenditures from the wastewater revenues to correct water pollution problems caused by septic systems shall occur only if such expenditures financially benefit wastewater system current customers when the additional monthly sewer rate revenues from these added customers are considered. | ((FP-17: Expenditures from the wastewater revenues to correct water pollution problems caused by septic systems shall occur only if such expenditures financially benefit wastewater system current customers when the additional monthly sewer rate revenues from these added customers are considered.)) | <i>June 19, 2015 discussion:</i> WTD staff noted that this policy was generated by King County Council staff during the development of the RWSP. Task Force members suggested deleting. <i>May 29, 2015 discussion:</i> Task Force members wondered what the genesis of this policy is. | |
| FP-18: The cost of community treatment systems developed and operated in accordance with WWSP-15 would not be subsidized by the remaining ratepayers of the county's wastewater treatment system. | FP-18: The cost of community treatment systems developed and operated in accordance with WWSP-15 would not be subsidized by the remaining ratepayers of the county's wastewater treatment system. | <i>May 29, 2015 discussion:</i> Task Force members noted that the policy should reference the correct WWSP number. | |
| | <u>FP-19: King County shall strive to have its routine wastewater rehabilitation and replacement projects cash funded versus debt funded.</u> | June 19, 2015 discussion: Task Force members agreed with the suggested language change from the April 2, 2015 Rates and Finance Committee meeting, and the policy has been adjusted to reflect that change. There was also a question on whether or not there should be a timeframe for implementation of this policy (such as over 20 years, etc.) ***** <i>This potential policy was discussed during asset management policies and MWPAAC decided to discuss this during the financial policies discussions.</i> <i>At April 2, 2015, Rates and Finance Subcommittee meeting, Rates and Finance Subcommittee suggested the policy be re-</i> | <i>Joint Engineering and Planning and Rates and Finance subcommittees meeting on September 3, 2015:</i> <ul style="list-style-type: none">There was a suggestion to define the word "routine" in this policy. |

| Existing Financial Policies K.C.C 28.86.160 | Task Force Proposed Amendments as of Sept. 3, 2015; Approved by MWPAAC on Oct. 28. 2015 | Comments/Discussion | Subcommittee and Full MWPAAC Comments |
|---|--|---|---------------------------------------|
| | | <p>written to state: <i>King County shall strive to have its routine wastewater rehabilitation and replacement projects cash funded versus debt funded.</i> The suggested change substitutes the word “rehabilitation” for “repair”; subcommittee members felt that “repair” implies maintenance rather than extending useful life.</p> <p>May 29, 2015 discussion: Task Force members suggested this as a placeholder until Debt Review Committee works through this.</p> | |